

## **KENTUCKY DEPARTMENT OF EDUCATION**

### **STAFF NOTE**

#### **Action/Discussion Item:**

702 KAR 3:130, Internal accounting (Final)

#### **Applicable Statute(s) or Regulation(s):**

KRS 156.070, 156.160, 156.200

#### **Action Question:**

Should the Kentucky Board of Education give final approval to 702 KAR 3:130, Internal Accounting, and to the revisions in Accounting Procedures for Kentucky School Activity Funds, a handbook incorporated by reference in 702 KAR 3:130?

#### **History/Background:**

***Existing Policy.*** Accounting Procedures for Kentucky School Activity Funds is a handbook incorporated by reference within 702 KAR 3:130 and provides a method of uniform accounting for school activity funds as mandated by 702 KAR 3:130 (3) and KRS 156.070. Though procedures and technology have changed significantly, the current handbook has not been updated since 2001. It is important that the handbook be updated to provide current information to district personnel.

The system of safeguarding and accounting for activity funds is dependent on the soundness and effectiveness of local board of education policies and guidelines. The local board has the responsibility of ensuring accurate accounting for all accounts, as well as ensuring activity funds are expended as intended.

Use of the procedures in this handbook provides reasonable assurance that schools have properly accounted for monies realized through student and school activities. All transactions shall, at a minimum, be in accordance with the guidelines of the Accounting Procedures for Kentucky School Activity Funds document, using the forms contained herein or an equivalent. Within the scope of its authority, a local board of education may enact a policy more restrictive than the procedures established in this handbook.

The regulation and the Accounting Procedures for Kentucky School Activity Funds were reviewed in October and no changes have been made since that review. They are now ready for final action.

### **Policy Issue(s) and Option(s):**

An overview of some of the more significant policy changes that are being recommended for inclusion in the handbook are as follows:

- On pages 4 – 8, changes are being recommended to update the authority and responsibilities of the various parties involved in school activity funds, including the local school board, superintendent, school-based decision making council, principal, school treasurer, club sponsor, and booster organizations. Examples include:
  - A requirement that no activity fund begin or end a fiscal year with a deficit balance. The handbook includes the statutory requirement that in the event a fund is deficit, the local board is responsible for any obligations of the district, even if incurred by principals or their agents.
  - A requirement that all student fees and charges be approved/adopted by the local board of education.
  - A requirement that the local board approve activity fund budgets.
- On page 11, recommendations for new requirements governing school banks appear.
- On page 12, recommendations for new requirements related to the need for a charitable gaming license appear.
- On pages 13 – 15, recommendations for new financial controls related to purchasing are found.
- On page 16, recommendations for a new section governing fixed assets, which provides minimum requirements for an item to be considered a fixed asset, appear.
- On pages 16 – 17, recommendations for new definitions and revisions to existing definitions to be included in the handbook are found.

Additional revisions, primarily technical or editorial in nature, are included in the attached copy of the handbook.

### **Staff Recommendation and Rationale:**

Staff recommends final approval of 702 KAR 3:130 and Accounting Procedures for Kentucky School Activity Funds. The amendments to the handbook are necessary so that all district employees are adhering to the updated version. The amendments will also ensure the safeguarding and proper accounting for activity funds.

### **Groups Consulted and Brief Summary of Responses:**

Certified Public Accountants who conduct audits for school districts  
District Finance Officers  
Local Superintendents Advisory Council (LSAC)

All three groups support the changes in the handbook. LSAC will provide input through a letter prior to the December meeting.

**Impact on Getting to Proficiency:**

Approval of 702 KAR 3:130, Internal accounting will allow the Kentucky Department of Education to provide to local school districts the consistent guidance needed to comply with updated accounting procedures. This action will ensure the most efficient system of accounting for all funds received and expended through school activity fund accounts and contribute to the financial stability of school districts.

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**Deputy Commissioner**

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**Interim Commissioner of Education****Date:**

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